

Message Text

SECRET

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 R

DRAFTED BY EB/ORF/FSE:GMBENNSKY:CJR

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

S E C R E T STATE 070972

EXDIS

E.O. 11652GDS--DECLAS. DEC. 31, 1983

TAGS: ENRG

SUBJECT:OIL SUPPLIES FOR U.S.

1. YAMANI OFFER OF ADDITIONAL SUPPLY EARMARKED FOR U.S. MIGHT BE CONSIDERED BY SOME TO CONSTITUTE THE KIND OF BILATERAL ARRANGEMENT THAT WE SEE AS COUNTERPRODUCTIVE AND IN FACT HARMFUL. YOU SHOULD, HOWEVER, RESPOND TO YAMANI POSITIVELY, EXPRESSING APPRECIATION FOR HIS INTEREST AND CONCERN OVER U.S. SUPPLY SITUATION. YOU SHOULD SUGGEST THAT BEST MEANS OF HANDLING U.S. SHORTFALL AND MEETING WORLD'S OIL NEEDS IN GENERAL WOULD BE SAUDI EXPANSION TO ACHIEVE FULL PRODUCTION (I.E., ABOUT 10.6 MILLION B/D), WITHOUT ESTABLISHING SPECIFIC EXPORT QUOTA FOR U.S. ARAMCO PARTNERS SHOULD THEN BE ALLOWED THE FLEXIBILITY TO MOVE THIS INCREMENTAL OIL TO MOST COMPATIBLE MARKETS, WHILE SWITCHING OTHER LOWER SULPHUR CRUDES TO THE U.S. IN TANKERS OF SIZE THAT CAN BE ACCOMMODATED IN OUR PORTS. MORE SAUDI OIL IN THE MARKET WILL PROVIDE US WITH BETTER ACCESS TO LOWER SULPHUR

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CRUDES IN THE WORLD MARKET PLACE.

2. FYI: IN RESPONSE TO YOUR REQUEST FOR DATA: TOTAL
U.S. IMPORTS OF CRUDE AND REFINED PRODUCTS IN MARCH
AVERAGED 5.5 MILLION B/D. ASSUMING WE WILL BEGIN
RECEIVING SOMETIME THIS MONTH THE 1.05 MILLION B/D

YAMANI HAS ALREADY PERMITTED, THEN OUR SHORTFALL FROM
UNRESTRAINED FORECAST DEMAND, WHICH DOES NOT TAKE INTO
ACCOUNT PRESENT PRICE LEVELS, WILL BE ABOUT 2.5 MILLION
B/D. IT SHOULD BE NOTED THAT WE DO NOT WANT TO SEE
U.S. CONSERVATION MEASURES RELAXED TO THE POINT THAT
WE GO BACK TO SUCH AN OIL DEMAND LEVEL. ALSO WE CANNOT
YET ESTIMATE CLEARLY WHAT ADDITIONAL SUPPLIES WE MAY
RECEIVE FROM OTHER ARAB PRODUCERS. WE DO NOT WANT YOUR
RESPONSE TO IN ANY WAY INDICATE TO THE SAUDIS THAT
WE AGREE WITH THE OPEC DECREED CRUDE PRICE LEVELS.
END FYI. RUSH

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NNN

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